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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**OIL AND GAS LEASE**

(Paid Up Lease)

This Oil and Gas Lease (this "Lease") is made on May 24<sup>th</sup>, 2008 between Kishore K. Pondugula and wife, Laxthangali Ramanurthy (hereafter called "Lessor"), whose address is 1800 Native Dancer Pl, Southlake Tx 76092, and Dale Property Services, LLC, whose address is 2100 Ross Avenue, Suite 1870, LB-9, Dallas, Texas 75201 (hereafter called "Lessee").

1. **Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land described in attached Exhibit A (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, and to produce, save and transport oil and gas and other products manufactured from oil and gas produced from the Land, but only as to the Barnett Shale formation or the stratigraphic equivalent thereof. This lease also covers and includes any interest which Lessor may own in any street, alley, highway, railroad, canal, river, body of water, contiguous or adjacent to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. **Primary Term.** This Lease is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities.

3. **Minerals Covered.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. **Royalty.**

(a) As royalties, Lessee agrees:

(1) To pay to Lessor, on oil and other liquid hydrocarbons produced and saved from the Land, 25% (the "Royalty Fraction") of the market value at the point of sale of such oil, or at Lessor's option, which may be exercised from time to time, the Royalty Fraction of all oil and other liquid hydrocarbons produced and saved from the Land shall be delivered free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected.

(2) To pay to Lessor:

(i) 25% of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

(ii) 25% of the gross proceeds received by Lessee at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

(iii) 25% of the gross proceeds of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity, and if processed, but not by Lessee or an affiliated person or entity, 25% of that part of the gross proceeds received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

(iv) On gas produced from the Land and sold by Lessee or used off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use or other disposition.

(v) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(vi) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the gross proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

(c) It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

(d) If gas produced from the Land or lands pooled herewith is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will receive only its Royalty Fraction of the market value of the volume of gas for which payment has not already been made.

(f) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute.

(g) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

**5. Shut-in Royalty.** While there is a gas well on this Lease or on lands pooled with the Land capable of producing in paying quantities, but gas is not being sold, at the end of the Primary Term or any time thereafter, Lessee shall pay or tender in advance an annual shut-in royalty of \$50 per net mineral acre. Payment with respect to a well will be due within 90 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to two consecutive years or three years in the aggregate. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

#### **6. Continuous Development.**

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced the drilling of a well on the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 90 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas.

(b) If this Lease is maintained beyond the expiration of the Primary Term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 180 days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 90 consecutive days. A well will be deemed to have been completed on the date of the release of the drilling rig from the drillsite and any completion operations cease. The permitted time between wells shall be cumulative so that if a well is commenced prior to the date it is required to be commenced, the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

**7. Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed

by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority; however, written consent of Lessor shall be first obtained before Lessee expands or contracts a pooled unit that includes the Land. Further, in making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

The pooled unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes the Land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the pooled unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the number of mineral acres of the Land included in the unit bears to the total number of mineral acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. No part of the Land may be included in a pooled unit unless all of the Land is included in said pooled unit.

**8. Offset Wells.** For purposes of this Lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby land and is draining the Land. If an offsetting well is completed, Lessee must, as would a reasonably prudent operator under similar circumstances, within 120 days after the date of first sales from the offsetting well, commence operations for the drilling of an offset well on the Land and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well; or (ii) pay Lessor a monthly royalty equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. In the event acreage is released pursuant to (i) above, the release will cover a tract of a size and shape that will permit the drilling of a well to the producing formation and the creation of a proration unit surrounding the well in compliance with the field rules for the field in which the offsetting well is located, but if there are no field rules, in compliance with the statewide rules of the Railroad Commission of Texas. A well producing from within 467 feet of the Land or lands pooled herewith will be conclusively presumed to be draining the Land.

**9. Secondary Recovery.** Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor.

**10. NO SURFACE OPERATIONS. NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, LESSEE HEREBY WAIVES AND RELEASES ALL SURFACE RIGHTS OF EVERY KIND AND NATURE ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LAND, OR (III) ENTER UPON THE LAND FOR ANY REASON; PROVIDED; HOWEVER, THAT THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITY WHICH COMES UNDER THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY EFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR COMMERCIAL OR RESIDENTIAL USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 500 FEET BELOW THE SURFACE. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LEASED PREMISES.**

**11. Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor of any assignment or sublease of this Lease and, with the exception of assignments being made to Chesapeake Exploration, LLC, its officers, directors, and/or subsidiaries of Lessee, Lessee's assignees or sublessee's of an interest in this Lease shall be joint and severally liable for all of Lessee's obligations under this Lease.

**12. Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, strike, insurrection, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons). This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

**13. No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less

than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately.

**14. Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by written notice to the other party.

**15. Attorney's Fees.** In the event that Lessor or Lessee is required to employ legal counsel for the enforcement of any provision of this Lease and receives a final unappealable judgment, the prevailing party will be entitled to recover from the other party the reasonable attorney's fees and expenses incurred by said party.

**16. Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain appropriate insurance covering all of its activities and operations hereunder, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include at least coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverages shall be in the minimum amount of \$5,000,000.

**17. Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S ACTIVITIES AND OPERATIONS ON THE LAND OR LANDS POOLED THEREWITH OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. AS USED IN THIS PARAGRAPH, THE TERM "LAND" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

**18. Miscellaneous Provisions.**

(a) In the event this Lease terminates for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, deliver to Lessor a recordable release covering all of the Land or that portion of the Land as to which this Lease terminated.

(b) Nothing in this Lease negates the implied covenants imposed upon Lessee under applicable law.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas, and federal, state and local environmental laws and regulations and municipal ordinances.

(d) The term "production" means production in paying quantities.

(e) Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease.

(f) The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.

(g) Lessee's operations are being conducted in or near an urban residential area. Therefore, any and all compressors, machinery and/or equipment used in connection with any well drilled on the Land or within 600 feet of the Land shall be equipped with the latest

technology in noise suppression, muffling devices and pollution constraints. Further, Lessee shall not operate or maintain any compressors in connection with any wells drilled on the Land or within 600 feet of the Land, except Lessee shall be allowed to operate one temporary gas lifter compressor per well for a period of time of up to 1 month during the drilling or completion process for each well. Further, noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells, and any production therefrom, shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, and the level and nature of development and surface use elsewhere in the vicinity of Lessee's drillsites. Further, Lessee shall take reasonable steps to muffle any sound or noise from its operations by installing appropriate noise suppression mufflers or like equipment, including sound blankets around any machinery, equipment and/or gas lift compressors.

(h) Jurisdiction and venue for any legal dispute between Lessor and Lessee related in any way to this lease shall be in the court(s) of competent jurisdiction located in Tarrant County, Texas.

(i) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(j) Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend and hold harmless, Lessor from and against any loss, liability, claim, fine, expense cost (including reasonable attorneys fees and expenses) and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any federal, state or local laws, rules or regulations applicable to any waste material, drilling matter fluid or any hazardous substances released or caused to be released by Lessor or Lessee's agents, or independent contractors, or any other operations on the land leased hereunder into the atmosphere or into or upon the land or any water course or body of water, including ground water, or subsurface water. Additionally, upon receiving any notice regarding any environmental, pollution or contamination problem or violation of any law, rule or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days. This provision and its indemnities shall survive the termination of this Lease, and shall enure to the successors, heirs and assigns of Lessor and Lessee.

(k) In conducting its operations hereunder, Lessee shall comply with all ordinances, rules or regulations imposed by the City and/or other governmental agency or entity having authority over such operations.

(l) Upon written request, Lessee shall allow and provide Lessor and Lessor's representatives full and complete access to inspect Lessee's books and financial records related to any wells located on lands pooled with said Land. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

(m) Depth Severance. At the end of the primary term of this Lease, or any extension thereof, this Lease shall terminate as to all depths lying below one hundred feet (100') below the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with all or part of the Land.

**19. Environmental Safeguards.** Lessee shall employ such measures as will reduce the impact of its operations upon improvements, vegetation and habitat on the Land. Lessee shall use reasonable care and safeguards in conducting its operations to prevent contamination or pollution from any waste, pollutant, or contaminant to any environmental medium, including soil, surface waters, groundwater, sediments, surface or subsurface strata, ambient air, or any other environmental medium in, on, or under the Land. Lessee shall remediate any condition which is hazardous to humans or wildlife resulting from Lessee's operations.

**20. Groundwater Protection.** Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Land.

**21. Visual Appearance.** Lessee shall maintain the well sites in a neat and orderly fashion. Lessee shall construct or improve necessary lease roads across drillsite tracts as all weather roads and shall maintain such roads in a good state of condition and repair in order to prevent excess dust and erosion and maintain the continuity of the surrounding environment. For safety and appearance, Lessee shall construct and install fencing and other decorative materials or vegetation around each wellsite and related facilities in a visually appealing manner, in an effort to maintain the continuity of the surrounding area, and shall maintain the fences in a good state of repair. Upon conclusion of Lessee's drilling and completion operations, Lessee shall restore that portion of the well site not being utilized by Lessee for producing operations as nearly as is reasonably practicable to its original state. In addition, Lessee shall maintain the well site in a manner whereby it shall be free of noxious vegetation and debris resulting from Lessee's operations. Upon lease expiration, Lessee shall remove all of Lessee's equipment and restore the surface of the ground as nearly as is reasonably practicable to its original state.

**22. Option to Extend.** Lessee is hereby given the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the same sum of the bonus payment per acre to Lessor or to the credit of Lessor in the depository named above (which bank and its successors are Lessor's agents and shall continue as the depository regardless of changes in ownership of said land). This payment shall be based upon the number of net mineral acres then covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank at any time during the original primary term hereof. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment until thirty (30) days after Lessor's delivery to Lessee of a proper recordable instrument naming another bank as agent to receive such payment. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records; this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of five (5) years.

**23. Memorandum of Oil and Gas Lease.** Contemporaneously with the execution of this Lease, Lessor and Lessee have executed a Memorandum of Oil and Gas Lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this Lease, will be recorded in the appropriate records of the counties in which said Land is located in lieu of the recording of this Lease in its entirety. The recording of said Memorandum of Oil and Gas Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this Lease was filed of record in its complete text.



Executed on the date first written above.

Lessor:

[Signature] Kishore Pondugula  
[Individual Name/Title] By: KISHORE PONDUGULA

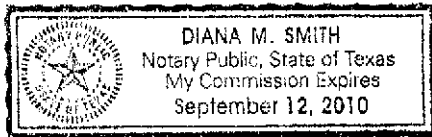
Lessor:

[Signature] Geethanjali  
[Individual Name/Title] By: GEETHANJALI RAMAMURTHY

**ACKNOWLEDGEMENTS**

STATE OF TEXAS       §  
                                  §  
COUNTY OF TARRANT   §

This instrument was acknowledged before me this 24<sup>th</sup> day of May, 2008, by  
Kishore K. Pondugula and, an individual residing in Tarrant County, Texas.  
wife, Geethanjali Ramamurthy



[Signature]  
Notary Public State of Texas  
Diana M. Smith  
Printed Name of Notary Public

STATE OF TEXAS       §  
                                  §  
COUNTY OF TARRANT   §

This instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by  
\_\_\_\_\_, an individual residing in Tarrant County, Texas.

\_\_\_\_\_  
Notary Public State of Texas

\_\_\_\_\_  
Printed Name of Notary Public

**EXHIBIT "A"**

Attached to and made a part of an Oil and Gas Lease between  
Kishore K. Pondugula and wife, Geetha Rajali Ramanurthy,  
as "Lessor", and Dale Property Services, LLC, as "Lessee".

1.0367 acres of land, more or less, being Blk 5 Lot 10 out of the Southlake Woods Addition,  
an Addition to the City of Southlake, Tarrant County, Texas, being more particularly described  
by metes and bounds in that certain plat recorded in Volume A, Page 4751 of  
the Plat Records of Tarrant County, Texas.



DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 06/18/2008 11:47 AM  
Instrument#: D208233922  
LSE 11 PGS \$52.00

By: \_\_\_\_\_



**D208233922**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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